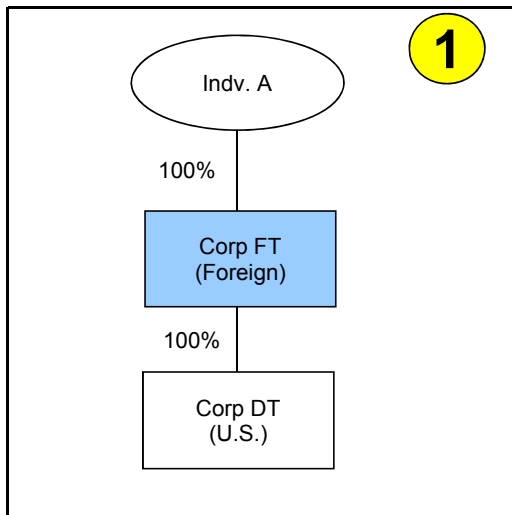


Notice 2014-52
Sec. 2.03(b)(iv), Ex. 2
Alternate Facts

No Internal Group Restr'g With Fgn-to-Fgn F
Reorg of Fgn Parent Plus Related Contrib'n

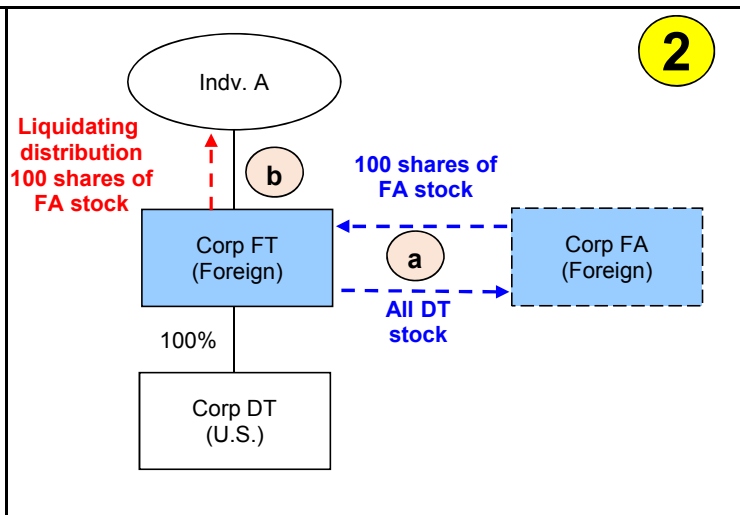
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Initial Structure



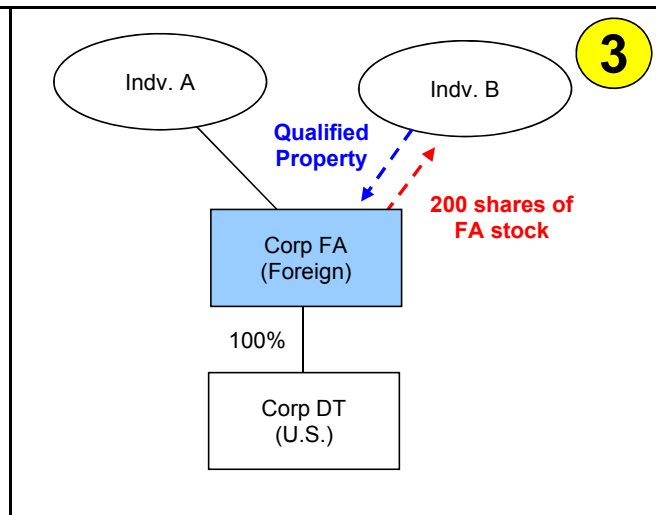
1

F Reorganization



2

Contribution



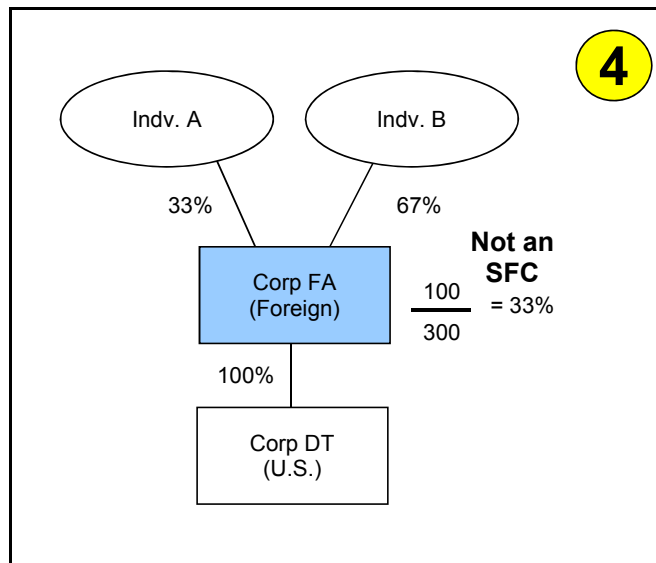
3

Individual A owns all the stock of Corp FT, a foreign corporation. Corp FT owns all the stock of Corp DT, a domestic corporation. Corp FT does not own any other property and has no liabilities. Pursuant to a reorganization described in section 368(a)(1)(F), Corp FT transfers all of its Corp DT stock to Corp FA, a newly formed foreign corporation, in exchange for 100 shares of Corp FA stock (DT acquisition) and distributes the Corp FA stock to individual A in liquidation pursuant to Code §361(c)(1) (subsequent distribution). In a transaction related to the DT acquisition, Corp FA subsequently issues 200 shares of stock to individual B in exchange for qualified property (within the meaning of Treas. Reg. §1.7874-4T(i)(7)).

Under Treas. Reg. §1.7874-2(f)(1), the 100 shares of Corp FA stock received by Corp FT in the reorganization is stock of a foreign corporation (Corp FA) that is held by reason of holding stock in a domestic corporation (Corp DT). Accordingly, such stock is described in Code §7874(a)(2)(B)(ii). The exception under section 2.03(b)(iii) of Notice 2014-52 does not apply because, taking into account Corp FA's issuance of 200 shares to individual B, Corp FT would not be a member of the EAG absent the subsequent distribution. Accordingly, the Corp FA stock received by Corp FT is not treated as held by a member of the EAG for purposes of the EAG rules, and the ownership fraction is 100/300.

[Usually an F reorganization next to another transaction is treated separately. Would a name change before the contribution have the same result?]

Ending Point



4